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Multilateral Development Banks: Their Rôle in LDC Financing

Summary

Multilateral development banks (MDBs) -- the World Bank and the Inter-American, African, and Asian Development Banks -- play an important secondary role in LDC financing, holding about 15 percent of total LDC debt. The distribution of these loans varies widely among individual countries and regions. The regional MDBs lend to countries that are in the same region as the bank, while the World Bank and its affiliates extend loans on a global basis. To date the largest individual country borrowers from the MDBs on a cumulative basis have been Brazil, Colombia, India, Indonesia, Mexico, the Philippines, South Korea, Turkey, and Yugoslavia. Low income countries in Africa and Asia are most dependent on these loans, with one-third of their debt held by MDBs. [redacted]

MDB loans favor specific sectors of the Third World economy. Agriculture continues to be a major area of importance because of the promotion of food self-sufficiency. Social programs and industrial projects are also major targets for MDB funds, while the energy sector has attracted more funds since the mid-1970s. [redacted]

[redacted]

[redacted]

[redacted]

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Lending from official sources -- both governments and MDBs -- is playing a greater role in the financial rescue packages that are being assembled for troubled debtors. Commercial banks recently have stressed the need for greater official financing for LDCs such as Argentina and the Philippines because the banks are unwilling to be the only provider of funds. In addition, the IMF has requested specific commitments of official credits prior to approval of Fund assistance programs. [redacted]

[redacted]